

Bill No. 121
2017

By-law No. CPOL.-_____

A by-law to establish a Sale of Major Assets Policy.

WHEREAS subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

AND WHEREAS the Municipal Council has previously adopted “Principles for Identifying Asset Sales and Revenue Alternatives,” providing general guidance for the use of proceeds from the sale of major municipal assets;

AND WHEREAS the Municipal Council wishes to implement a policy with respect to the sale of major municipal assets and the use of proceeds from asset sales;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The attached Municipal Council Policy entitled “Sale of Major Assets Policy,” appended hereto as Schedule “A”, is hereby approved and adopted.
2. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on March 21, 2017.

Matt Brown
Mayor

Catharine Saunders
City Clerk

Schedule “A”
SALE OF MAJOR ASSETS POLICY

1.0 POLICY PURPOSE

The purpose of this policy is to establish objectives, strategy and guidance for the use of proceeds generated from the sale of major assets by the Corporation of the City of London.

This policy also describes the procedures to be followed in the event that Council has approved the disposal of a major asset.

2.0 SCOPE

This policy applies to the proceeds generated from the sale of all municipal assets that Council has approved for disposal, per Council’s Sale and Other Disposition of Land Policy and other approvals.

The following types of asset sales are excluded from this policy:

1. minor assets;
2. industrial lands offered for sale as part of the Corporation’s Industrial Land Development Strategy; and,
3. salvage materials arising from infrastructure construction and/or lifecycle renewal projects.

3.0 DEFINITIONS

In this policy, the following terms shall have the meaning ascribed to them:

“Civic Administration” means the service areas and service area leads as identified in the Corporation’s Civic Administration By-law, as amended from time-to-time;

“Corporation” means the Corporation of the City of London;

“Council” means the municipal council of the Corporation;

“disposal” means activities associated with the sale of an asset, following it being deemed surplus by Council or an authorized individual, where applicable;

“major assets” means municipally-owned and controlled property, buildings, infrastructure and ownership interest in corporations providing local services;

“minor assets” means assets that are regularly replaced due to their limited lifecycle period and use during day-to-day business operations. Examples include: vehicles, equipment, furniture and supplies;

“proceeds” means the net revenues gained from the sale of an asset;

“productive asset” means an asset where revenues generated from the asset cover the cost of operating that asset, or the asset meets a municipal need; and,

“surplus” means assets that the City no longer requires to meet its current or future needs.

4.0 OBJECTIVES

The primary objectives of this policy are as follows:

Reduce debt: Proceeds from the sale of assets can be used as a substitute funding source for debt planned to be incurred by the municipality (i.e., approved but not issued).

Provide a funding source for other revenue generating assets: There may be circumstances where the proceeds from the sale of an asset can be directed to investments or the acquisition of new assets that provide a greater return than the previous asset and/or provide greater financial benefits than debt substitution.

Provide a funding source for other initiatives: Allocating the proceeds from asset sales to Council-directed strategic initiatives may have significant community benefits.

5.0 STRATEGY

The short and long-term impact of an asset sale must be carefully analyzed to assess such matters as relocation and/or exit/re-entry costs, valuation and market timing, community impact, operating cost considerations, risk mitigation/transfer opportunities, and long-term cost and service standard issues. Asset sale proposals will generally be supported by a business case.

Asset sales provide one-time funding. It is essential that proceeds be used to generate future benefits, rather than being spent on immediate, one-off needs.

Major assets are resources of the Corporation and not an asset of any individual department. The determination of proceeds may be net of costs directly linked to the sale of the asset.

Council and Civic Administration will have consideration of the Corporation's Strategic Plan and its Official Plan when contemplating the sale of a major asset.

In conformity with Section 106 of the Municipal Act, 2001 (as amended), no property of the municipality shall be sold at below fair market value.

The proceeds from the sale of a major asset should not be used for the following purposes:

1. to reduce tax rate/budget pressure;
2. to provide a source of funding for a new asset that does not produce a return on investment; or,
3. to fund ongoing/permanent expenditures.

The proceeds from the sale of an asset should be used in the following priority order:

1. substitute funding for approved but unissued debt;
2. purchasing a new asset(s) that produces a return on the investment (both financial and non-financial value improvements); and,
3. investments that generate predictable interest revenue, noting that only interest proceeds may be used to provide one-time or ongoing contributions for strategic initiatives.

In the event that Council disposes of a productive asset that provided financial contributions to the Corporation beyond cost recovery, any budgetary shortfalls must be addressed through investment returns from the proceeds and/or additional tax revenues.

6.0 PROCEDURES

Council will determine if a major asset shall be offered for sale, based on the outcomes of a strategic review and/or through the process outlined in the Sale and Other Disposition of Lands Policy.

The following procedures will be followed in the event that Council has approved an asset for disposal:

1. Major venues, non-core services and assets

- a. Civic Administration will be directed by Council to identify the recommended means for the sale of the asset.
- b. Council will approve the means of sale.
- c. The City Treasurer will submit a recommendation to Council for the allocation of proceeds generated from the sale of the asset.
- d. Council will approve the allocation of proceeds based on the recommendation of the City Treasurer and/or the strategy identified in this policy.

2. Strategic lands and assets

- a. The City Manager may identify lands or other assets as strategic in nature, given unique community benefits. Subsequently, Civic Administration will recommend the means for the sale of the asset.
- b. Council will approve the means of sale.
- c. The City Treasurer will submit a recommendation to Council for the allocation of proceeds generated from the sale of the asset, which may include contributions to off-set costs associated with the sale and/or other linked community benefits.
- d. Council will approve the allocation of proceeds based on the recommendation of the City Treasurer and/or the strategy identified in this policy.

3. Surplus land

- a. The City Treasurer, upon the advice of the Manager of Realty Services, will determine the appropriate method of sale, per the Sale and Other Disposition of Lands Policy.
- b. The City Treasurer will determine the allocation of proceeds generated from the sale of surplus land, based on the strategy identified in this policy.

4. Land purchased for growth or lifecycle renewal infrastructure projects

- a. The City Treasurer, upon the advice of the Manager of Realty Services, will determine the appropriate method of sale, per the Sale and Other Disposition of Lands Policy.
- b. The City Treasurer will determine the allocation of proceeds generated from the sale of land, based on the strategy identified in this policy. Two circumstances are contemplated:
 - i. Sale proceeds below the purchase price of the original asset: The allocation will be to direct the proceeds to the project account for which the lands were purchased (e.g., a property purchased for a road widening).
 - ii. Sale proceeds above the purchase price of the original asset: The allocation will be to direct an amount equal to the original purchase price to the project account for which the lands were purchased. Proceeds above the amount of the original purchase price will be allocated consistent with the strategy identified in this policy.